## Message Text

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**ORIGIN NEA-13** 

INFO OCT-01 ISO-00 AID-20 COME-00 EB-11 INT-08 RSC-01 /054 R

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TO AMEMBASSY DACCA

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E.O. 11652: N/A

TAGS: ETRD, EAID, BG

SUBJECT: US FERROUS SCRAP EXPORTS TO BANGLADESH

REF: A) STATE 22769; B) DACCA 567

- 1. EMBASSY IS CORRECT IN CONCLUDING FROM REFTEL A THAT TOTAL FERROUS SCRAP POTENTIALLY AVAILABLE TO BANGLADESH FROM US IN FIRST QUARTER 1974 IS 10,000 SHORT TONS, DIVIDED BETWEEN "NORMAL" ALLOCATION OF 3,830 TONS AND ADDITION FROM CONTINGENCY RESERVE OF 6,170 TONS. (FYI, STATE 235452 LISTED TENTATIVE ALLOCATIONS INCLUDING 1,140 TONS FOR BANGLADESH, BUT RECOMPUTATION OF DELIVERIES TO EAST PAKISTAN AND BANGLADESH DURING BASE PERIOD JULY 1970-JUNE 1973 LED TO REVISION OF BANGLADESH SHARE TO LEVEL FINALLY PUBLISHED, I.E. 3,830 TONS. THIS REVISION DID NOT AFFECT GLOBAL TOTAL, SINCE PAKISTAN'S ALLOCATION WAS ADJUSTED DOWNWARD BY SAME AMOUNT. END FYI.)
- 2. THERE ARE NO CONDITIONS ATTACHED TO BDG PURCHASE OF NORMAL ALLOCATION, PROVIDED BDG MAKES OWN ARRANGEMENTS FOR FINANCING. BUT AUTHORIZATION FOR PURCHASE OF SPECIAL LIMITED OFFICIAL USE

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ADDITION WILL BE CONTINGENT ON BDG UNDERTAKING TO MAKE

EQUIVALENT AMOUNT OF REBARS AVAILABLE FROM CURRENT PRODUCTION FOR USE ON AID-FINANCED PROJECTS, REGARDLESS OF WHETHER OR NOT AID PROVIDES FINANCING.

- 3. AID WILLING TO FINANCE FROM EXISTING R&R GRANT SUBPROJECT ALLOCATIONS AS MUCH OF FERROUS SCRAP PURCHASES AS BDG WANTS WITHIN LIMITS IMPOSED BY ALLOCATION SYSTEM, I.E. NOT LESS THAN 6,170 TONS NOR MORE THAN 10,000 TONS. FINANCING BEYOND 6,170 TONS MAY BE LINKED TO PROVISION OF REBARS FOR AID-FINANCED PROJECTS, BUT NEED NOT BE. WE ASSUME REBARS WOULD BE MADE AVAILABLE TO AID-FINANCED PROJECTS FROM PRESENT PRODUCTION RATHER THAN AFTER SCRAP UNDER THIS ALLOCATION PROCESSED.
- 4. REGARDLESS OF QUANTITY OF FERROUS SCRAP FINALLY PROVIDED CAUTIONARY NOTE IS REQUIRED, NAMELY THAT QUANTITY OF STEEL PRODUCT IS NOT IDENTICAL TO QUANTITY OF SCRAP PROCESSED TO PRODUCE IT. YOU SHOULD THEREFORE DISCUSS WITH BDG OR BANGLADESH STEEL CORP. WHAT QUANTITY OF REBARS WILL CONSTITUTE "EQUIVALENT" OF AMOUNT OF SCRAP PROVIDED FROM US AND/OR WITH AID FINANCING. KISSINGER

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